

Senate Standing Committee on Environment and Communications
Answers to Senate Estimates Questions on Notice
Supplementary Budget Estimates Hearings October 2016
Communications Portfolio
NBN Co Limited

Question No: 142

NBN Co Limited

Hansard Ref: Written, 31/10/2016

Topic: Cost per premise

Senator Urquhart, Anne asked:

1. Please confirm whether NBN's Cost Per Premise (CPP) figures reflected in NPV, real or nominal terms?
2. Please provide/confirm the Cost Per Premise estimates used as input to the 2017 Corporate Plan financial forecasts for each of the following networks:
 - (a) FTTH (brownfield)
 - (b) FTTH (greenfield)
 - (c) HFC (average)
 - (d) HFC (Optus)
 - (e) HFC (Telstra)
 - (f) FTTN/B/dB average (as presented in Corporate Plan)
 - (g) FTTN
 - (h) FTTB
 - (i) FTTdB

If any of this information is unavailable or cannot be confirmed, please explain for each item why that is the case.

3. Please list the individual underlying elements which are summed together to produce CPP in the 2017 NBN Corporate Plan for each of the following networks:
 - (a) FTTH (brownfield)
 - (b) FTTH (greenfield)
 - (c) HFC
 - (d) FTTN/B/dB average (as presented in Corporate Plan)
 - (e) FTTN
 - (f) FTTB
 - (g) FTTdB

4. For each network, and its underlying CPP sub-elements, please list the cost attributed to each underlying element as outlined in the table below:

For example (for each network):

Element of CPP (for FTTH)	Cost
X	A
Y	B
Z	C
Total	Where $A + B + C = \text{CPP}$

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Element of CPP (for FTTH)	Cost
	figure used in 2017 Corporate plan

If any of this information is unavailable or cannot be provided, please explain for each item/element why that is the case.

5. Please provide the following information on the Redcliffe HFC trial using Optus infrastructure:
 - (a) Cost Per Premise, as per standard definition, of the Optus HFC trial in Redcliffe?
 - (b) Please provided the forecasted Cost Per Premise for Optus HFC at the time NBN decided the network would no longer be used?
 - (c) Please provided total costs associated with the Redcliffe HFC trial. Itemise these into distinct and appropriate cost categories.
 - (d) Please confirm the number of homes activated in the Redcliffe HFC trial?
 - (e) Please confirm the number of homes number of homes passed in the Redcliffe HFC trial?

Answer:

1. nbn's Cost Per Premise (CPP) calculation for fixed line networks reflects the nominal construction cost related to each premise passed or connected. For brownfield fixed line premises it also includes the NPV of the Telstra Duct Lease charge which relates to those premises only. This amount is reported as an NPV of the future lease payments under the relevant agreement.
2. The Cost Per Premise in the 2017 Corporate Plan financial forecasts for each of the following networks is:
 - (a) FTTH (brownfield) \$4,400
 - (b) FTTH (greenfield) \$2,100
 - (c) HFC (average) \$2,300
 - (d) HFC (Optus) – dis-aggregating the CPP for the HFC footprint would indicate the underlying commercial arrangements relating to those specific areas, and is therefore commercial in confidence
 - (e) HFC (Telstra) - as above for the HFC Optus CPP
 - (f) FTTN/B/dB average – this is not applicable as FTTB and FTTC were not presented in Corporate Plan 2017
 - (g) FTTN - \$2,300
 - (h) FTTB – nbn faces competition in respect to the build of FTTB and disclosing these costs is therefore commercial in confidence.
 - (i) FTTdp – not applicable, as no specific FTTC (previously known as FTTdp) footprint was presented in Corporate Plan 2017
3. The individual underlying elements summed to produce CPP in the 2017 nbn Corporate Plan for each of the following networks:

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- (a) FTTH (brownfield)
 - Design and Build \$2,130
 - Customer Connect \$1,570
 - Telstra Duct Lease NPV \$700
 - Total \$4,400
- (b) FTTH (greenfield)
 - Design and Build \$1,710
 - Temporary Transit Infrastructure \$390
 - Total \$2,100
- (c) HFC
 - Design and Build \$1,600
 - Telstra Duct Lease NPV \$700
 - Total \$2,300
- (d) FTTN/B/dB average – not applicable as FTTC was not presented in Corporate Plan 2017
- (e) FTTN
 - Design and Build \$1,600
 - Telstra Duct Lease NPV \$700
 - Total \$2,300
- (f) FTTB – nbn faces competition in respect to the build of FTTB and disclosing these costs is therefore commercial in confidence
- (g) FTTdB - not applicable, as no specific FTTC footprint was presented in Corporate Plan 2017

4. As above.

5. In respect to Optus HFC trial in Redcliffe:

- (a) There are a number of commercial negotiations to complete works in that footprint (including complex MDUs) and to cease further HFC works in the legacy Optus footprint. These ongoing negotiations prevent nbn having an accurate estimate of final costs to complete the build for this specific area. For this reason, nbn is not in a position to disclose a CPP for Redcliffe trial area at this time.
- (b) As above for Optus HFC network.
- (c) As above, a number of premises in the Redcliffe trial have yet to be connected. A full estimate of final costs is not known at this stage.
- (d) Total premises activated in the Redcliffe HFC trial at end of October 2016 was approx. 4,750.
- (e) The number of premises ready for service in the Redcliffe HFC trial at end of October 2016 is 20,385.